FLEXIBLE PROJECT DESIGN APPROACHES: AID/WASHINGTON VIEWS AND EXAMPLES FROM THE PHILIPPINES

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PURPOSE

During the past decade, the Agency has experimented with alternative design approaches which maximize flexibility in project implementation. A number of AID projects currently underway are using flexible designs and more are anticipated. Despite AID's growing experience with these designs, no comparative study of how such projects actually performed has been conducted. Such information is needed to determine whether AID's experience supports continued or expanded use of flexible designs, and if so, under what conditions. This report addresses one part of the problem. First, two basic design perspectives are presented to clarify how flexible designs differ from AID's standard project designs. Second, based on USAID/Manila's use of flexible designs, the apparent advantages and disadvantages of such projects are discussed. Though the project development is essentially sound, that specificity in report cannot provide definitive answers regarding AID's overall experience with flexible designs, a number of recommendations are made concerning future use of this design approach.

OVERVIEW

Section One is based on interviews with AID/Washington staff involved with program and project planning. The interviews concerned the Agency's project development system and, specifically, what constitutes adequate project planning. A central issue which emerged from these interviews was whether AID's standard project designs offer sufficient flexibility during implementation to make neccesary mid-course changes to improve project performance. Two general design philosophies emerged. Those who argued that AID's existing system for project development is essentially sound, that specificity in design is necessary and important, and that AID's procedures and regulations concerning project implementation provide sufficient flexibility for project modifications represent the traditional project designer perspective. At the other end of the spectrum were those who considered AID's standard approach to project design and implementation as lacking sufficient flexibility to adapt to changes in the project environment, or to build on experience as it is gained during implementation. Moreover, critics of the existing system argued that design specificity is either impossible or perverse given the nature of development problems. These people represent the flexible design approach. Improving the design of irrigation projects is used to illustrate the differences between these two perspectives

and to clarify how flexible designs ostensibly differ from standard AID designs.

Section Two concerns USAID/Manila's use of flexible design concepts in four core projects: Rainfed Resource Development, Local Resource Management, Small and Medium Enterprise Development and Primary Health Care Financing. Common design characteristics of the projects and the mission's experience with initial implementation are discussed. Particular attention is given to the project management demands of these projects.

To clarify USAID/Manila's use of flexible design concepts, a distinction is made between rolling and process designs. Rolling designs have been used for a number of years by AID primarily in rural development projects. In rolling designs, the purpose and objectives of the project are clear (i.e., what the project will do and what the major outputs will be), but the specific means by which those objectives will be accomplished cannot be specified prior to implementation. Rather, the implementation plan evolves during the course of the project. Process projects are a variant of rolling designs. They use a rolling implementation plan to achieve institution building objectives. Process designs are open-ended about not only how the project will achieve its objectives, but also what the project will ultimately produce (i.e., the specific institutional changes to be produced by the project).

Despite the sharp distinction typically made between flexible designs and standard AID designs, many of the objectives of flexible designs (e.g., increased host country participation in project design, increased use of local institutions, closer monitoring of the implementation process) are equally important for standard AID projects. Moreover, the initial differences between flexible and standard approaches seem less pronounced when compared on the basis of actual implementation. Flexible designs acquire structure and specificity as they are implemented, and many standard AID projects are modified or re-designed one or more times, much like a rolling design, during implementation.

CONCLUSIONS

1) The following conditions facilitate the use of flexible designs:

-- The mission's program indicates the need for projects in areas about which little is known or where AID has little prior experience.

-- Senior ministry officials as well as USAID senior managers are receptive to the concepts underlying rolling/process designs.

-- Mission staffing is sufficient to meet the increased

management demands associated with rolling and process designs. Similarly, the host country must be capable of meeting the increased management requirements of such projects.

-- Economic and political conditions do not constrain the host country's willingness or ability to experiment with alternative or experimental approaches.

2) The advantages of rolling designs are:

-- They offer an approach to dealing with development problems about which little is known and yet are of high priority to the host country and AID.

-- They shift attention and resources from elaborate exercises to project implementation and adaptive re-design which can better target project outputs and improve overall project performance.

-- They provide the flexibility needed to modify project implementation in highly unstable project environments.

-- They facilitate testing alternative schemes, technologies etc. (i.e., applied research) and using the results of that testing in subsequent stages of the project.

-- They encourage beneficiary participation over the course of the project, and increase host country identification and ownership of the project.

3) The potential advantages of rolling designs also apply to process designs, which offer the following additional advantage for institution building projects:

-- Process designs allow for trial and error experimentation with alternative modes of operation and organization required for re-directing the programs and services provided by the institution.

-- They further the decentralization of development management and the devolvement of authority. If successful, these changes can facilitate local participation in the development process and could contribute to long term solutions to problems affecting the rural poor.

-- The design should generate minimal recurrent costs because the institution's operations are reoriented to the needs of the poor, rather than expanded via new divisions and additional staff to provide these services.

4) The disadvantages of flexible designs are:

-- In comparison to standard AID projects, USAID/Manila's

process projects required as much time to initially design, are slower to disburse funds, are more staff intensive for AID and the host country, are more adversely affected by staff turnover, and require greater administrative capability and support on the part of the host country. This suggests that highly flexible designs are less suitable for countries with very limited management capabilities.

-- Lack of staff continuity between design and implementation poses a serious problem, particularly for process projects, because their concepts are unfamiliar and need reinforcement during the course of the project.

-- Flexible designs can lead to unnecessary vagueness about matters which could be specified prior to implementation (e.g., commodity procurement procedures). Not doing so only complicates negotiation between AID and the host country when such matters are addressed after implementation begins.

-- Though flexible designs encourage greater participation in the initial design process, there is no assurance that a mutual understanding between the host country and AID will be established concerning the basic concepts and principles of the design approach.

-- The lack of a clear implementation plan increases the ad hoc nature of decision making between host country and USAID staff. This places greater importance on recording decisions and agreements in PILs or some other written form in project files.

-- Flexible designs, and particularly process designs, do not lessen project complexity. In fact, they may contribute to greater complexity.

-- Because of the open-endedness about project outputs and increased management demands, flexible designs might be more vulnerable to cutbacks and delays during periods of economic austerity.

-- A longer time frame is often required for flexibly designed projects because of slower start-up, considerable experimentation with alternative implementation strategies, etc. In part, this is a reflection of the type of development problems these projects typically address (e.g.,institutional development) and, therefore, is not totally due to to the design per se. Nonetheless, long time frames run contrary to AID's standard perspective: a five to seven year life of project.

RECOMMENDATIONS

The following recommendations are offered to AID based upon the findings and interpretations of this study.

Concerning the decision to use flexible designs:

1. The key factors which should guide decisions about the degree of flexiblity/specificity acceptable for a given project are: a) the degree to which the development problems addressed by the project are understood by AID and the host country; b) the degree to which the project environment is subject to change during the course of implementation; and c) the management capabilities of the host country (most important) and the USAID mission (secondary to the host country). In other words, the type of project is not the determining factor -- e.g., standard designs for capital development projects, flexible designs for technical assistance projects.

-- Flexible designs are better attuned to situations where a) little is known about the development problem and hence implementation strategies are difficult or impossible to determine in advance; b) considerable change is anticipated in the project environment, and hence significant re-design is likely; and c) both the host country and the USAID mission can meet the greater management demands of flexibly designed projects.

-- Exactly the converse holds for standard designs. To the extent that standard designs can be used, they should remain the Agency's principal design form for development assistance projects, if for no other reason than that they are better understood by AID and LDCs and are probably less management intensive.

-- Despite the dichotomy typically drawn between standard and flexible designs, the effectiveness of AID's development programs would benefit from an integration of both design approaches. Specifically, AID should undertake more small, short term, flexibly designed pilot projects. Their size would minimize management demands and their flexibility would maximize the probability of identifying possible solutions to poorly understood development problems. At the very least, they could determine what not to do before AID and the host country make major investments in fullscale projects.

Concerning the use of flexible design:

2. AID should consider flexible designs which use the results of applied research (e.g., testing alternative technologies or service delivery strategies) to guide subsequent stages of project implementation as a legitimate design approach. AID should require specificity about the mechanism for managing research activities while leaving open the range of possible

tests to be made through that mechanism.

3. An important consideration for approval of rolling and process design projects is whether the mission and host country can adequately meet the increased management and administrative requirements of these designs.

4. Flexible design projects which involve complex institutional arrangements should work toward establishing these arrangements during the course of the project rather than imposing them at the outset.

5. For rolling and process design projects, special attention should be given to recording points of negotiation concerning project implementation in project files or PILS to clarify and reduce the vagaries of the project, and to document decisions and agreements.

6. In process design projects, risk of achieving only marginal project accomplishments should be reduced by making the tangible outputs of the project of equal priority to institution building objective. To the extent possible, the tangible outputs of the project should depend on first achieving institutional objectives.

7. The basic mechanisms for implementing the project, such as commodity procurement and administrative arrangements, should be established prior to implementation regardless of the design used.

8. Rolling and process design projects should establish monitoring and evaluation systems to track project progress on the basis of empirical indicators. Benchmarks which reflect progress toward institutional objectives should be established prior to implementation.

9. Assessing progress toward establishing new processes, systems, capacities and approaches in institutions does not constitute a solely sufficient basis for project evaluations. The evaluations of process design projects should assess the actual improvements resulting from project outputs in institutional performance as well as the effects of these improvements on the ultimate beneficiaries of the project -- the rural poor, small farmers, etc.

Concerning AID's use of standard designs:

10. Many of the basic concepts guiding flexible designs can and should be incorporated into AID's standard design approaches. These include: greater participation by the host country in the design process, greater beneficiary participation in project implementation, process evaluation, and re-orienting the operations of existing institutions rather than expanding them to provide more effective services.

11. Standard project designs should be used to deal with

development problems which are fairly well understood. In these cases, flexible designs introduce unnecessary ambiguity.

12. For multi-component projects, both flexible and standard design approaches should be used where appropriate -- i.e., some components based on standard designs, other components based on flexible designs.

13. As part of the present trend toward delegating increased authority to the field, missions should be encouraged to re-design standard projects as needed by reducing further AID/Washington's role in this process. The exceptions would be missions with a small or inexperienced staff.

14. Greater emphasis needs to be placed on actual project performance and less on the initial packaging of the project. This will require better monitoring and evaluation systems and an Agency reward system which values success at implementation as much if not more than project design work.

15. With the exception of missions with small or inexperienced staff,sound but minimal designs should be considered sufficient to reduce the investment of time and resources in the design process. Minimal designs would contribute to reducing the time lag between initial conceptualization of the project and actual start-up in the field. Most important, considerably greater emphasis would be placed on project performance rather the initial design process. Government regulations and Congressional reporting requirements obviously determine what minimum designs must include. Specific changes to reduce design requirements include the following:

-- All project designs should unambiguously explain (1) the major objectives of the project, (2) the major constraints the project will address, (3) how overcoming those constraints will contribute to growth within the sector or project area, and (4) how the project corresponds to or advances the host country's development strategy and the mission's program.

-- All project designs should contain a thorough discussion of why the particular interventions being proposed are sufficient for achieving project objectives and more appropriate or viable than alternative interventions. The argument should be supported by economic or other types of analysis based on the best available empirical data and drawing from experience with similar projects previously attempted.

-- Uniform design standards should not be imposed on all project components. Rather, the level of specificity or advanced planning required for each major project component should reflect the nature of the activities to be undertaken through that component.

-- Components which are principally physical infrastructure

should often be designed as currently specified in Handbook Three. The design requirements for project components which support institutional, human resource, service delivery and other social development objectives should, in general, be less detailed and comprehensive.

Financial analysis for all projects and components should remain a basic AID requirement. Contracting, commodity procurement and other administrative procedures and responsibilities should be unambiguously specified in the project paper.

-- Implementation planning for non-capital development components should focus primarily on the first year or two of the project. Rather than trying to predict precisely how the project will be implemented beyond the first two years, the implementation plan should contain a description of how the project will be monitored and evaluated during this period so that subsequent stages of the project can be determined. In short, the implementation plan should contain a specific action plan for project start up and subsequent management which focuses on continual assessment of project performance.

-- Project plans should contain well defined milestones for tracking implementation progress and project performance. The milestones should reflect project objectives as closely as possible. Success at attaining milestones should serve as a basis for periodic project assessments by AID and the host country as well as an integral management tool. Tracking project performance on the basis of such milestones will also allow Washington to evaluate mission compliance with Agency policy on a directly operational basis -- i.e., achievement of development results.

-- Project designs should contain a re-design mechanism based on an initial evaluation after eighteen months of implementation. The purpose of this mechanism would be to: (1) reduce Washington's involvement with re-design activities, (2) encourage missions to modify and further develop projects plans, (3) provide new mission staff with an opportunity to have input into better targetting of on-going activities as opposed to developing entirely new projects, and (4) eliminate poor projects. In comparison to the initial design effort, eighteen months of project implementation should provide the mission with better data and a better understanding of the development problems being addressed by the project. The same process would be repated approximately every eighteen months throughout the life of the project.

-- Economic, social soundness/beneficiary impact, institutional and environmental analyses should be

restricted to capital development and initial institutional/ social development activities. They should be repeated as necessary in later stages of the project as subsequent implementation planning is required. Rather than conducting such analyses once during the initial planning stage, these analyses should be re-design process.

TWO CONTRASTING APPROACHES TO PROJECT DESIGN AND IMPLEMENTATION: TRADITIONAL VERSUS FLEXIBLE DESIGNS

1.1 The Separation of Project Design From Project Implementation

At the recent Mission Director's Conference in Kigali, Rwanda, a senior AID/Washington manager stated: "While the Administrator is interested in many things, implementation is a high priority. One might say this is the year of implementation."

The special attention that is to be accorded project implementation is an important signal concerning the priorities for future Agency operations. It indicates that better implementation is viewed by senior management as crucial to improving Agency performance and the development impact of AID programs.

The "year of implementation" announcement also reflects a key distinction which guides AID's current mode of operation. Specifically, planning can be separated from action, and project design and implementation can be treated as separate tasks and accomplished more or less independently. From this perspective, better implementation can, in principle, be emphasized over better project design, monitoring and evaluation. This is not merely some esoteric observation about Agency management; rather, the separation of project design from project implementation is central to standard administrative practices.

There is an accumulating body of information concerning the effects of separating design from implementation, particularly for technical assistance projects and the technical assistance components of capital assistance projects. AID staff and other recent studies of AID program and project implementation as a major factor contributing to unsatisfactory project performance and impact {1}. The fundamental error identified by these sources is compartmentalizing the project cycle into a sequence of discrete functions -- i.e., first design, then implementation, and finally evaluation.

A litany of ills has been associated with this compartmentalized treatment of the project cycle. The uncertainties of the project environment in LDCs militate against detailed projections of specific activities over the life of the project However, a complete project plan is typically required for project authorization. The pressure to obligate funds

before the end of the fiscal year often works against adequate planning. For example, a team of consultants are flown into the country for a relatively brief period to develop a project design which specifies a series of activities to be carried out the next five or more years. Often times such plans are based on inadequate information about the total project environment. Lack of understanding about what will actually be possible produces project documents (i.e., PIDs and PPs) which are rife with overly optimistic or totally unrealistic expectations and assumptions about project implementation and impact. Moreover, instead of a blueprint, such design exercises frequently generate packages which are appealing to the current interests of AID/Washington but which are partially if not wholly unworkable. Equally important, intended project beneficiaries as well as host country staff who will be responsible for the implementation of the project are often excluded from the design process. This, in turn, adds to basic design faults and undermines (or eliminates) identification with the project by host country counterparts and/or project beneficiaries. The critics of AID's current design process would point out that in this "year of implementation," ironically, the initial start-up of some projects will be a re-working of the original design to identify activities which can actually be undertaken. In short, the first phase of implementation for many projects will be re-designing key components.

A consensus of sorts exists concerning an alternative to the compartmentalized view of the project cycle. Many in the Agency as well as outside development practitioners advocate a management perspective which treats design, implementation (including project monitoring) and evaluation as an integrated, iterative process. Unlike typical AID projects, this alternative approach would begin on a much smaller scale. A limited number of activities would be selected as the most likely starting points for project implementation. These activities would be carefully monitored. Based on a critical assessment of these activities, the decision would be made to continue, modify or eliminate ongoing activities. In the interim, additional opportunities consistent with the goals of the project might have arisen. These might be incorporated into the project. Perhaps most important, during this process the implementation team is constantly learning how to improve project implementation to better meet the needs of the beneficiary population. This learning helps guide the implementation of subsequent phases of the project. In short, project design is treated as a periodic, as opposed to a one-shot, activity incorporated into project implementation. Those who advocate this type of approach can be categorized as the flexible designers.

AID has experimented and continues to experiment with various alternative design approaches on a limited basis using the existing requirements for project documentation, review and approval. Whether the use of flexible designs should be expanded and if so, to what degree is an open question. Before such designs are used on a much broader scale, it should first be determined whether flexibly designed projects have actually

produced better development results than standard designs. The management demands of flexible designs also need to be better understood in light of mission staff reductions before these designs are used more widely.

Many AID/Washington staff are staunch defenders of the current design system. They certainly recognize problems with AID's project development process and would favor bona fide improvements. However, they consider the present system of project development and documentation as serving a very useful purpose. Specifically, it forces attention to the basic parameters of the project which must be clearly understood. These include: 1) thinking through how the components of the project fit together to accomplish project objectives; 2) anticipating potential problems and various "unknowns" about the project; 3) understanding what the host country wants to do and can support 4) identifying who the project beneficiaries are, their interests, and how they will be reached; and 5) recognizing what human and financial resources would be needed for the project. In short, they argue that the current Handbook Three requirements for PIDs and PPs are necessary and realistic. Furthermore, they claim that the logframe method of project development is a benefit and not a handicap to project design and implementation. Most important, they argue, any need for mid-course corrections can certainly be accommodated by the current system. They point out that such changes are commonly made in many projects, which demonstrates that sufficient flexiblity already exists in AID's system. In contrast to the flexible designers, this group represents the traditional design approach.

Regarding AID's project development process, the traditional designers point out that current design procedures represent the result of years of tinkering with the system in an attempt to improve it. The current system in large part reflects major changes made in Agency operations in the early 1970s. Too many projects had been underway for years with no end in sight, yet they had produced few visible outputs. The development of Handbook Three and the Agency-wide adoption of the Logical Framework were a direct response to this situation In general, the idea was to clearly identify the problems to be addressed by a project and then specify a definite course of action.

The traditional designers acknowledge that there is always room for further improvements, but massive changes or entire replacement of the system is unwarranted and would cause tremendous confusion both in Washington and in the missions. They point out that the compartmentalized treatment of the project cycle reflects AID/Washington's internal organization (i.e., each office has its separate responsibilities, which are only a piece of the total project cycle). This artificial separation of design from implementation is far less pronounced in the field. The complexity of the process reflects the laws, regulations and Congressional oversight the Agency must follow. One needs only to consider federal contracting regulations and

accompanying legislation (e.g., the Gray Amendment) to appreciate the inherent complexities in AID's operations. Some even argue that the twenty to twenty-four months (on average) to design and obtain authorization for projects involving tens of millions of dollars is not excessive. AID/Washington pays special attention to project design (and less to implementation) because of the pressure to obligate funds within the fiscal year and to meet Congressional reporting requirements. An important point in the traditional designer's argument is that the way AID conducts its business, and that includes the way it designs and implements projects, is not something the Agency has full control over nor is AID in a position to substantially alter the system at its own discretion.

From just this brief summary of these two contrasting perspectives, it should be clear that considerable differences of opinion exist on this one issue -- the separation of project design from project implementation. To illustrate this point and to discuss further the traditional and flexible design approaches, the following section suggests probable responses that the traditional and flexible design camps would offer to the need for better planning of irrigation projects.

1.2. Two Alternatives for Improving Project Design

1.2.1 The Need for Better Design in Irrigation Projects

An Irrigation Evaluation Conference was held in May, 1983 to conclude AID's impact evaluation of irrigation projects. The findings of that evaluation were published in David Steinberg's report "Irrigation and AID's Experience: A consideration Based on Evaluations." {2} A major conclusion of the evaluation was that better planning of irrigation projects is needed. Mr. Steinberg writes:

> There is a growing realization in many quarters, both donor and recipient, of the need for more consultation with farmers, as well as careful analysis of agronomic factors, including soils, topography, marketing constraints, farmer adaptability, and social systems. These needs, however, are more often than not given cursory treatment in the spirited process of approval. Short-run bureaucratic efficiency is sometimes at variance with long-range project effectiveness, and concern with the short-run benefits of increased production may be at variance with consideration of long-run environmental (viz. salination) or other costs. {3}

The evaluation found the following problems common to designs for irrigation projects:

-- Overly optimistic expectations about the time required for the system to reach full capacity;

-- Lack of experience with irrigation projects on the part of designers

-- Designs do not build from the farm to system level

-- Failure to consider irrigation systems as part of a complete agronomic package;

-- Insufficient study of soil mechanics, agricultural potential, climatic conditions and hydrology

-- Ignorance about local social systems, institutions and traditional irrigation systems resulting in insufficient attention to equity issues

-- Lack of donor coordination

-- donor emphasis on obligating funds and physical outputs at the expense of developing institutional arrangements to sustain the irrigation system {4}

In addition to the problems specific to irrigation projects, the evaluation found other general inadequacies: packaging of the project for style over substance; distorted economic analyses to justify the project; invalid assumptions about host country concern for adverse effects of the project; and inattention to equity issues.

The evaluation recommended that the corrective action needed is better planning and design of irrigation projects. For example, there is a need for "...detailed social analysis early in the design process, preferably at the project identification document stage." To accomplish these design improvements, AID will need to make "...a commitment to the process of improved design that has been heretofore lacking." {5}

The point of presenting these evaluation findings is that they are indicative of the types of design problems AID's projects exhibit not only in the area of irrigation. The question is how to make the needed design improvements. The answer will depend on one's position concerning when and what types of expertise and analysis are needed for project design. The evaluation's description of the problems and recommended actions create the impression that more up-front design work is necessary. That is, more careful, detailed study and planning is needed before project authorization. That would essentially be the traditional designer's response to the problem. However, the flexible designers would argue that only certain parts of the project could be adequately analyzed in advance. Project implementation might start with these components. For example, water user associations might be organized prior to finalizing construction plans so that the interests and knowledge of the farmers in the area could guide decisions concerning the location and size of canals. But the poorly understood components, such as the size and type of dams required to accommodate maximum flood conditions, might have to be worked

out as the project progresses. The question reduces to when should the design work be completed -- before project authorization, after authorization but before implementation, or during implementation?

1.2.2 The Traditional Designer's Approach

A traditional design solution would be to invest more in the initial design of the project before both PID approval and project authorization. If more needs to be known about soils and topography, then bring in the agronomists or soil scientists. If marketing conditions, farmer adaptability or local social systems have to be better understood, then invest more in agricultural, economic and sociological studies to obtain the needed information. In other words, the response is to extend or amplify AID's conventional design approach. From this perspective, the weakness is not in the existing project development system, but rather, in the faulty application of its procedures. Therefore, a more concerted effort, through various studies and analyses, should be made to obtain the necessary information. This information would then be used to produce more soundly designed projects which take into account the range of implementation concerns and project impacts.

The traditional designer's response to the need for better planning and design work appears to be far from innovative. But that is precisely the point -- the existing system is considered sound; it simply has to be used properly or better to obtain results. Nor does this type of response counter criticisms such as a) certain types of information necessary for project planning only become available after much trial and error during the course of project implementation, and b) requiring project amendments is too cumbersome a procedure and impedes quick action to improve the project based on what has been learned. The rebuttal to these charges is that a) perhaps AID should avoid project activities about which very little is understood and instead concentrate its efforts in those areas where AID can draw on its experience and expertise, and b) the number of projects amended refutes the claim that the process is an impediment to change. In summary, the traditional designer's position is essentially more of the same and do it up-front before approval and authorization. Note that the effect of this is to separate project design from implementation and increase, perhaps significantly, the time and costs of design.

In all fairness, however, the traditional design perspective is not really as rigid as it might first appear. Mid-course changes in project inputs and outputs are viewed as part of the normal course of events and should be made as needed. But if those changes are substantial, they should go through the same planning and justification process as did the original project to assure that they are correct and properly conceived. Such re-analysis is particularly important if the changes cause

the project to deviate from its original purposes and goals. In situations where all of the information cannot be obtained beforehand, a pilot or phased project might be warranted. Then based on the results of that effort, a full-blown project might follow.

During the course of staff interviews, it became increasingly apparent that there is a substantial difference between official requirements for project design and what is sometimes tolerated in actual practice. Several staffers working in Project Design Offices pointed out that in some instances PIDs which have some obvious shortcomings are approved so that funds can be obligated before the close of the fiscal year (in fact very few PIDs fail to obtain full or conditional approval at any time of the year). It is assumed that design work will be completed before implementation. This is, of course, a safer assumption for better staffed missions. But AID's procedures are often adapted to accommodate special circumstances. For example, recently a world-wide cable on "Speeding Project Implementation" suggested four mechanisms whereby particular components of projects could be started before final project authorization. These mechanisms were: 1) the use of PD&S, 2) post-PID mini-projects, 3) common element projects, and 4) the use of local IQCs.

The traditional designers would probably view themselves as more pragmatic than the flexible designers. That is, they would argue that their position on project design more accurately reflects the conditions under which the Agency must operate. If that is the case, then a very real, pragmatic problem with the traditional designer's solution to the types of problems described above in connection with irrigation projects is funding. Finding sufficient funds for better up-front design work could be quite difficult. Limited PD&S funds already impede current design efforts, as John Koehring (REDSO/EA) pointed out at the Kigali Mission Directors' Conference:

> The delay in receiving Program Development (PDS) funds causes headaches. We should look for a different system for PD&S. There is not enough money for PDS, which should be allocated early.

An alternative to PD&S is to set up a project which is essentially for the funding of design activities. But that might not be possible for missions with small programs, nor is it clear how Congress would react to such projects if they began to proliferate. For the limited purposes of this paper, the funding question appears to suggest a serious impediment to more up-front design work.

1.2.3. The Flexible Designer's Approach

A flexible design solution to the irrigation problem would

focus primarily on the technical assistance components of the project. However, flexibility in the planning of construction activities would also be necessary. Changes or modifications in construction plans would be made as the project progresses and more is learned about farmers' needs and interests as well as basic engineering factors, such as soil conditions and rainfall levels.

In general, the "softer" human side of the project would be handled by beginning with a limited number of activities which should lead to a better understanding of the problems at hand -- e.g., marketing constraints, organizing farmers to form water user associations, existing social structures which will be affected positively or negatively by the project.

The precise form design flexibility takes depends on the project environment and the type of technical assistance to be provided. But the basic principle of flexible designs has been described as follows:

> ...the search for ways to bring lasting benefits to people at the bottom of the socioeconomic structure should persist over the entire life of the project. The thrust of the process approach is to structure the design and implementation of a project to encourage changes that will help an outside intervention (development assistance) to adapt to the local environment, culture and economy. [Such projects would progress] ...not in a haphazard or unpredictable fashion, but through modification and adaptation to their specific environments. By conventional criteria, the process approach would generate "unstructured" projects. But in a real sense, and because each project would have to operate in the context of budgets, personnel allotments, and so forth, there would be sufficient structure to guide those involved in preparing the initial project design, and subsequently in a continuing process of implementation, field-testing, and re-design. {6}

Using a flexible approach to the design problems of irrigation projects cited above might lead to the following type of activity. During the first year of the project, technical assistance might focus on developing water user associations. These groups would establish their own regulations concerning the operation and maintenance of the system. Equally important, they would be in place to participate in the design of the system. The project would then draw from their understanding of not only local cultural and social systems, but also their knowledge about geological and climatic factors pertinent to construction planning.

At the same time, technical advisors would assist the Ministry of Agriculture develop its capacity to monitor farm management practices and conditions affecting small farmer production in the project area. The purpose would be to identify key marketing and production constraints which need to be addressed if the irrigation system is to have the intended

impact. This would figure prominently in the on-going design of subsequent project activities.

Perhaps after a year or two of implementation, the Ministry of Health would be brought into the project. Technical assistance might then be extended to improve health service delivery in the project area to avert possible adverse health effects resulting from the irrigation system. Support to the Ministry of Agriculture might be continued, expanded or eliminated as conditions and results dictate. In other words, on a periodic basis throughout the life of the project, the focus and scope of technical assistance would be adjusted to accommodate the changing circumstances of the project.

Alternatively, if local implementing agencies are involved with the project, perhaps a learning process approach to institution building as advocated by David Korten would be appropriate. For example, perhaps a community development oriented PVO is attempting to establish water user associations to manage and maintain the irrigation system after construction. A very interactive process of trying to better understand the needs of small farmers and adjust the PVO's program to meet those needs would be carried out over the first few years of the project. After the PVO has developed and refined its approach, its program might be expanded or replicated throughout the project area.

A third possibility suggested by one AID staffer could be labelled a rapid implementation approach. A very bare-bone project document would be accepted as sufficient for project authorization. A technical assistance team would be brought in as soon as possible. They would begin working with host country ministries to complete the design of the project. After six to eight months, they would either a) submit work plans specifying the type of technical assistance the host country needs, how it would be provided, the level of effort, etc. which might include using a flexible design approach; or b) conclude that the original concept of the project was unsound or that the host country was not really interested in the project after all. In the latter case, funds would be deobligated and used elsewhere in the program.

The advantages of this approach include a) rapid obligation of funds and start-up of projects, b) development of plans for technical assistance based on working experience over a six month (or longer) period, c) creating a situation which allows better assessment of host country interest before substantial sums are spent, d) establishing continuity between design and implementation staff, e) developing working relationships between technical advisors and host country staff, and f) cutting losses on poorly conceived projects. But this approach also poses some potential problems. First, if the technical assistance team which designs the project also implements those plans (as normally would be the case with this approach), then there is a strong possibility for conflict of interest -- i.e., the TA component might be inflated to create work for the team.

Second, the likelihood that the TA team will suggest that the project be terminated after six months for whatever reason is very slim. People simply have too much invested in the project (they might have waited months for the contract to start, they have relocated their families, etc.) to stop it; only an exceptional contractor would advise doing so. More- over, resistance to de-obligating project funds is substan- tial, beginning with the Ambassador and continuing down to the Office Director, if for no other reason than it suggests poor or faulty management of the mission's program. However, such problems should be controllable in most cases and would certainly be worth risking given the potential advantages of the approach.

There is a certain tone to the advocacy of flexible designs which suggests they represent the new wave in project design which will correct the wrong thinking of conventional, more structured approaches. Clearly there is much to recommend the use of such designs, but just as with the traditional design approach, many criticisms and doubts about their performance are raised by AID/Washington staff. Perhaps the strongest charge made against flexible designs is that they merely postpone the hard decisions which have to be made at some point in the course of any project. Proponents of flexible approaches claim that sufficient structure does exist in these designs to permit wider application by the Agency. However, critics point out that the lack of clear direction and specificity regarding how outputs will contribute to project objectives is untenable. For example, the lack of specificity, they claim, exacerbates problems with fiscal accountability. In the most pejorative sense, critics refer to such flexible designs as little more than "rolling slush funds."

Concerning implementation of flexible designs, advocates claim project start-up can occur sooner than in more structured approaches. However, some AID staff question the validity of this assertion. The time between project conceptualization and authorization might be reduced. However, if projects are compared on the basis of the time between conceptualization and real outputs, one might find little if any difference. In other words, projects using a flexible design "wallow about" at first trying to get their bearings, whereas more structured projects have a clearer starting point. Another problem AID/ Washington staff note is that flexible designs will make it even more difficult for Washington to keep informed about project implementation. Also, there is serious doubt about whether AID staff could manage increased use of flexible designs. Even advocates of this approach point out that such projects are more labor intensive than conventional designs. In short, much like standard designs, flexible designs are no panacea -- they offer a number of potential advantages, but portend certain disadvantages as well.

1.2.4 Conclusion: Extract the Best From Both Perspectives

This paper raises more issues than it answers, but that accurately reflects current thinking within AID about what is necessary and sufficient for an adequate project design as well as the complexity of the question. What constitutes an adequate design for one country might very well be inadequate for the same project in another country. It is very unlikely that the traditional and flexible designers will find some common ground where they can resolve their differences on this issue anytime soon. During the course of interviewing AID/Washington staff (most of whom were foreign service officers with design experience), the conviction with which opinions were expressed by those from both ends of the spectrum contained a fervent, religious-like quality. Proselytizing was apparent in the emphasis given to the correctness of their respective positions and the fallacies of their opponents. Most interesting, each camp points to the same body of experience -- AID's past and current programs -- and sees in it entirely different meanings and messages concerning what constitutes effective project planning. Nothing short of a "born-again" conversion could alter such thinking.

It is important to note that the contrast typically drawn between those who advocate specificity in the design versus those who call for flexibility has been overworked to the point of distortion. When the focus shifts from what is supposed to happen in theory to what actually happens in practice, the distinction between these two perspectives narrows and blurs. In reality, few AID projects are implemented according to some rigid "blueprint" design. Project modification and re-design is a commonly accepted practice in the Agency. Conversely, it is unclear how much flexibility is actually possible in any design. Even the most flexibly designed projects eventually have to get down to brass tacks: they set objectives, develop a budget, estimate a schedule for the delivery of commodities and technical assistance, etc. In short, the contrast posed between highly structured versus flexible designs seems an absolute canard when discussed within the context of how AID projects are actually implemented.

The questionable nature of the distinctions used in ther past to distinguish among approaches to project design is worth considering. Even as recently as ten years ago, there was probably more credence to the division between blueprint and flexible designs. The Congressional Mandate of 1973 directed AID programs to directly benefit the poor majorities of develping countries. As a result, greater emphasis was placed on social development (e.g., meeting basic human needs) rather than purely physical infrastructure projects. Of course, many AID projects combined physical construction with social development components. Design problems arose from imposing the planning standards appropriate for capital/loan activities on the social development components of these projects. The specificity this required was simply unrealistic in light of how little was (and is) known about inducing social change.

That both perspectives offer convincing arguments in support of their advocacy for specificity or flexibility reflects the fact that each has a legitimate contribution to make toward improving the performance of AID projects. Neither design approach should be the sole model for the Agency because most AID projects need both structure and flexibility. Within the project, certain components will require considerable specificity, whereas other components will need considerable flexibility. This mixture will certainly vary among projects, and even among similar projects within the same country over time. In short, more effective implementation will result from better designs when those designs achieve the correct balance of specificity and flexibility for the particular project.

The mix of specificity -- flexibility in project design has important implications for future AID planning. At the very least, this indicates that a diversity of design approaches which corresponds to the diversity of economic, political and social environments in which projects are implemented will contribute to improving the performance of AID's development programs. What this suggests for senior management is that they should remain cognizant of the spectrum of opinion and encourage innovativeness and diversity in project design.

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(1)David Korten, "Community Organization and Rural Development A Learning Process Approach," Public Administration Review September/October (1980): 480-511. Donald Mickelwait et al., New Directions in Development: A Study of U.S. AID (Boulder, Colorado: Westview Press, 1979).

(2)David Steinberg, Irrigation and AID's Experience: A Consideration Based on Evaluations, AID Program Evaluation Report No. 8 (Washington, D.C.: AID, 1983).

(3)Steinberg, p. 91.

(4)Ibid., pp. 92-93.

(5)Ibid., p. 94.

(6)Mickelwait, p. 6.

2. USAID/MANILA'S ROLLING AND PROCESS DESIGN PROJECTS

2.1 Introduction

An important issue which underlies the specificity versus flexibility question is how the Agency can improve the effectiveness impact of its development programs. It is important therefore, for the Agency to continue to experiment with alternative approaches to project design and with alternative modes of assistance in general. Careful evaluation of these efforts should help determine how Agency resources can be used to their greatest advantage, and which activities should have highest priority for the use of these resources. Testing alternative approaches should clarify whether improvements can be achieved by shifting attention from elaborate project planning to actual project performance. Greater attention to design follows from standard public administration/planning models -- i.e., increased attention to design should improve project effectiveness because the types, levels and timing of inputs and their effects are more clearly understood prior to implementation. Alternatively, directing resources to project performance might provide greater payoffs. Because of the complexity of development problems and the vagaries of the project environment in LDCs, extensive design efforts might be a poor investment of resources and perhaps even counterproductive Instead, sound but minimal designs sufficient for project start-up which evolve during the course of the project and are based on implementation experience might constitute a better investment for the Agency.

Over the past decade, various evaluations and special studies have advocated greater flexibility in the design and implementation of AID's projects. For the most part, negative evidence has supported these claims -- i.e., a project failed because of rigid adherence to an initial plan which proved to be largely unworkable or inconsistent with the context in which the project was implemented. Documented examples which provide positive evidence of how flexible designs contributed to project success have only recently begun to be produced.{7} In part, this lack of positive support for flexible designs reflects the limited number of AID projects which have tried this approach in the past.

USAID/Manila's current program offers an opportunity to gain some insight into the pros and cons of alternative project designs and the tradeoffs entailed with trying to shift attention to implementation and performance as opposed to elaborate project planning. The mission is experimenting with flexible designs in four core projects: Rainfed Resource Development (RRD), Local Resource Management (LRM), Small and Medium Enterprise Development (SMED), and Primary Health Care Financing (PHCF). Several important limitations narrow what can be learned from these projects at this time. First, none of the projects is far enough along to draw final conclusions about the utility or contribution of the design to overall project impact. The situation is further complicated by the severe economic problems in the Philippines which have slowed project implementation. Third, the design approach used in these projects represents only one particular variant of the flexible design concept. The positive and negative design

features of these projects might not be representative of other flexible designs. Nonetheless, these four projects presently constitute the most extensive application of the flexible design concept by a USAID mission. This section of the report, therefore, identifies apparent strengths and weaknesses of the design of these projects, taking into account their limited track records and the adverse conditions which affect their implementation.

2.2 Background and Definitions

2.2.1 Synopsis of USAID/Manila's Core Projects

The four core projects resulted from changes in the focus of USAID/Manila's program over the past five or six years. During that time, the program became geographically concentrated in primarily three regions -- Bicol, Eastern and Western Visayas. A major objective of the program is to directly assist the poorest people in these regions. To do so, the mission confronted a difficult problem. Past experience indicated that centrally planned and centrally managed projects had largely failed to benefit the poorest communities. Furthermore, few proven strategies or technologies exist for addressing the economic and social problems affecting the rural poor in upland, rainfed and coastal areas. The mission recognized that only through a long term commitment to experimentation and applied research would viable solutions to such problems be identified. It was determined that the areas with the greatest potential for benefiting the rural poor were: a) improved land and water resource management; b) expanded opportunities for non-agricultural employment; c) improved health and population services; and d) strengthening the development management capabilities of local government. Most important, the mission recognized that innovative projects would be needed to develop the means for accomplishing these various improvements. In short, the mission decided that flexible project designs were necessary to facilitate testing alternative solutions and to build upon the results of research and experimentation.

Flexibility in design and implementation is fundamental to each of the core projects.

Primary Health Care Financing (PHCF) will test alternative community based schemes for providing health care services. The testing of alternative schemes will identify viable health care delivery systems which are managed and funded by the local community. Criteria for selecting proposed schemes have been established (e.g., sustainability, affordability, provision of preventive and curative services); however, which schemes will be tested during the course of the project could not be determined prior to implementation. Depending on the results of initial trials, schemes which prove effective and affordable to the local community will be selected for broader application.

Small and Medium Enterprise Development (SMED) will

encourage the development of small and medium scale enterprises (SME) in non-metropolitan areas, thereby generating non-agricultural employment in rural areas. SMED addresses key constraints to SME growth -- lack of information about economic conditions affecting SMEs, lack of affordable technologies which will increase productivity, and lack of knowledge about sound management practices. SMED will strengthen the capacity of PVOs and other private sector organizations (e.g., trade associations) to assist SMEs in these areas. Because of the instability of economic conditions and a changing policy environment affecting SME growth, considerable flexibility is needed to adjust services provided to SMEs and develop the capabilities of organizations providing those services.

Rainfed Resource Development (RRD) concentrates on protecting the natural resource bases from which the rural poor derive their livelihoods. While trying to stop or slow environmental degradation, RRD will also try to develop technologies which increase agricultural productivity. The project will support the development of community-based approaches to land and water resource management through various types of applied research (e.g., farming systems research, biotechnical research). Pilot or experimental activities in agroforestry and rainfed agriculture will be tested to develop technologies for improved resource management which are acceptable to small farmers. The subsequent stages of RRD will be guided largely by the results obtained from such applied research and, therefore, will require substantial flexibility in project implementation.

Local Resource Management (LRM) is a public administration project to support the GOP's decentralization objectives by strengthening the capacities of provincial and municipal governments to undertake development activities targetted on the local poor. LRM will assist local governments learn how to use more effectively available resources to support the self-help activities of communities and poverty groups. This will include formulating development strategies targetted on the poor, developing projects to implement the strategy and improving local revenue generation to fund the projects. At first, these development activities will concentrate on small-scale infrastructure projects (e.g., road improvements) and simple agroeconomic problems (e.g., cattle dispersion schemes). As local government gains experience and capability, subsequent sub-projects will focus on income generation. LRM will also encourage local government to work more closely with the private sector for implementing subprojects. Similarly, greater participation by poverty groups in local development activities will be a key component of LRM. The major problem LRM confronts is how to accomplish the institutional development objectives of the project. This includes major changes in the operation of government at several levels, closer cooperation between public and private sector organizations, and organizing poverty groups to participate in development activities. Therefore, LRM requires maximum flexibility in implementation to experiment with alternative strategies.

As LRM indicates, institution building objectives are central to these projects. The core projects will support various policy-oriented studies which will ultimately lead to program and operational changes. It was apparent that both public and private sector organizations were not oriented towards working closely with the rural poor to plan and implement develop projects. Moreover, the mission argued that existing policies and programs were not targetted on the constraints most germane to improving the conditions of the rural poor. Rather than expanding existing institutions or creating new ones to correct these problems, a strategy of re-orienting public and private sector organizations will be tried.

The mission recognized that considerable flexibility in project design and implementation would be necessary to carry out this re-orientation process. First, policy and program changes which will focus on the needs of the poor would have to be identified. The more difficult step would be to re-direct the operations of GOP agencies and private sector organizations to work more effectively on problems affecting the rural poor. Because it is not possible to predict in advance what types of changes would be needed, or even precisely how these changes could be instituted, the projects would have to allow for much trial and error experimentation to learn what works and what does not. Consequently, the learning process approach to institution building, as advocated by David Korten, is being used in two of the core projects.

(Readers unfamiliar with USAID/Manila's four core projects are directed to Appendix A for a more thorough discussion of project objectives.)

2.2.2 Terminology: Rolling and Process Design

USAID/Manila's staff have labored to find the right set of terms to clearly convey the objectives and rationale of the four "core" projects. More importantly, they have tried very hard to clarify why a flexible project design is necessary. Unfortunately, some of their efforts have not succeeded, and mission staff feel that a communications problem exists between the mission and AID/Washington as a result. In part, this problem stems from confusion about the meaning of "rolling" and "process" designs. The mission tends to use these terms interchangeably. This report will distinguish rolling from process projects as two types of flexible designs to clarify how they differ from each other and from standard project designs.

The major difference between rolling designs and standard designs is the way in which planning and implementation are treated. Rolling designs make an explicit effort to integrate planning and implementation in an iterative fashion -- e.g., initial design, implementation, re-design, implementation, and so on throughout the life of the project. This differs from

the standard project cycle where most, if not all, design work is typically completed prior to implementation. In many other ways, rolling designs are very much like standard designs. For example, PIDs and PPs for rolling designs identify the development constraints to be addressed by the project, offer a sound rationale for the strategy proposed for overcoming those constraints, justify the types of inputs to be provided, analyze the cost effectiveness of the project, identify the beneficiaries of the project, etc., much like any other AID project.

The integration of design and implementation, however, complicates or precludes certain AID project design requirements. In particular, USAID/Manila's rolling design projects do not or cannot specify exactly all outputs in advance of implementation. For some project components, precisely how project objectives will be achieved also cannot be specified prior to implementation. Rather, general categories or types of activities -- e.g., testing alternative agroforestry technologies, experimenting with alternative community based health service delivery schemes -- are identified. This means that the implementation plans of rolling design projects are open-ended. That is, a logical starting point for the project is identified, but a complete schedule of specific activities over the life of the project is, for the most part, not possible. Instead, the implementation plan evolves during the course of the project to build on experience and adjust to changes in the project environment. The important point to recognize is that rolling design is contentless. In principle, this approach to planning and implementation could be applied to any type of development project.

Process design refers to a particular approach to institution building which uses a rolling implementation plan. Two of USAID/Manila's core projects -- Local Resource Management and Rainfed Resource Development -- use a process approach to achieve institutional objectives. David Korten has advocated for some time the advantages, even necessity, of using a learning process approach to institution building. In general, the process approach concentrates on strengthening the capacities of local level government, developing community-based services and programs, increasing the participation of beneficiary groups in development activities, and re-orienting the programs and policies of development agencies (both public and private sector) to focus on the needs of the poor. Korten describes the difference between the learning process approach and standard technical assistance for institution building as follows:

> The new approach is less easily defined and controlled. It is less clear exactly what inputs are required because it is unclear what the exact outcome will be. It involves the difference between teaching a clearly defined technical skill to an inexperienced student, and helping an experienced professional develop a skill in solving a problem which the teacher may not yet have solved himself. What is transferred is the teacher's knowledge of how to

learn, rather than the substance of that learning. {8}

Clearly, a rolling design and implementation plan are fundamental to process projects. However, process designs differ from other types of rolling designs in that the former do not specify a) how project objectives will be achieved (that is supposed to result from the learning process) nor b) what the precise project outputs will be (specific outputs are a function of what works best to accomplish the overall institutional objectives of the project).

The process approach is essentially the application of the old adages "learning by doing" and "learning from experience" at the institutional level. In practice, it constitutes guided experimentation with new approaches for institutions to carry out their functions and responsibilities. "Institutional learning" is the experience gained through this experimentation.

In particular, it is used to re-orient institutions to community based, local action programs and operations as opposed to central planning and central management. In this regard, the re-orientation process places high normative value on targeting activities on the poorest groups and encouraging their participation in development activities. The learning process approach is touted as a means of decentralizing government functions, including development planning and administration. The result of such institutional learning is that the organization has been strengthened -- e.g., it has a better planning capacity, a technically competent staff, a proven track record of accomplishment in certain areas, and a sense of identity or legitimacy as an organization. These general categories of improvements are the outputs of process projects.

In summary, what needs to be clearly understood in distinguishing between "rolling" and "process" is that a process approach to institution building has to be designed and implemented on a rolling basis, but a project using a rolling design and implementation plan does not have to employ a learning process approach to institutional development. This distinction has utility for analyzing the design and organization of USAID/Manila's four core projects.

2.2.3 Key Design Features of USAID/Manila's Rolling and Process Projects

As implementation of these projects progresses, the following advantages are anticipated:

-- The authorizations for the these projects are broad in scope; this should a) reduce the amount of documentation required to support add-on project activities; b) facilitate the development of additional components; c) permit the project to be more responsive to changes

in the sector or project environment and capitalize on opportunities for new or expanded project activities; and d) facilitate the funding of relatively small but important research activities.

-- The rolling implementation plan for specific components should a) facilitate resolving initial uncertainty about achieving project objectives and dealing with unstable project environments; b) foster provide an efficient mechanism for testing alternative schemes, technologies and methods; and c) make better use of information and experience gained in the initial stages of the project.

-- If successful, the process approach to institutional development should a) produce institutional capacities to find long-term solutions to the problems of the rural poor; b) further decentralization of government functions to local levels and expand the role of the private sector in providing basic services; and c) minimize recurrent costs accruing from project outputs.

PHCF, SMED, RRD and LRM share in varying degrees a number of design features which distinguish them from standard AID projects:

-- They use an umbrella design to provide overall organization to the project and its components.

-- Project design and implementation are treated iteratively, as opposed to sequentially.

-- Priority is given to institutional objectives; in particular, to establishing new capacities, processes, systems, and approaches in those institutions by re-orienting their operations.

-- Priority is given to decentralizing government functions with the result that public services and development programs are planned and managed to a much greater extent at the local level.

-- Projects are implemented through existing public and private institutions; use of expatriate consultants is minimized in favor of developing local expertise; and an effort is made to minimize the hiring of additional staff or the establishment of new units or divisions within implementing agencies.

-- A long time frame is necessary for achieving the institutional objectives of the process project.

-- Standard benefit/cost analysis is not used to assess the economic return of the projects. Instead, the returns from possible alternative levels of project

success are estimated.

-- Project evaluations emphazie frequent monitoring and assessment of the implementation process.

Each of these points is discussed below. However, it should be recognized that these design characteristics do not apply equally to each of the projects. The design approaches underlying RRD and LRM are the most process oriented of the four projects. SMED is also implemented on a rolling basis, but its institution building objectives focus on strengthening the existing operations and programs of specific institutions, much like a standard AID technical assistance project. PHCF contains only one component -- the testing of alternative financing schemes -- which is implemented on a rolling design basis. In other words, the degree to which these features apply to each project and each component of the project varies.

Umbrella Designs. PHCF, SMED, RRD and LRM use an umbrella design as an overall organizational framework. A major advantage of this design feature is that it facilitates the addition of new components with minimal documentation and AID/Washington participation. With an umbrella authorization, the project is amended to add a new activity or component with a brief PID like document. Without the umbrella authorization, the new "component" would constitute a separate project requiring individual project development and documentation. With the umbrella design, the new component is treated as an add-on to the original project. If the amendment for the additional component does not exceed the delegated authorities of the mission, the process should, in principle, be largely an in-house activity.

Umbrella designs are not an innovation of these projects. Such designs have been used for some time by AID. For example, a number of population projects use umbrella designs (e.g., in Indonesia and Egypt). What USAID/Manila has done differently is incorporate components under the "umbrella" which are designed and implemented on a rolling or process basis. USAID/ Manila's umbrella designs combine mutually reinforcing components, some of which use traditional designs, whereas others use a rolling or process approach.

A key advantage to umbrella designs is that they allow easier funding of important, but relatively small research activities (e.g., less than $50,000). As individual projects, the size of the activity might not justify the amount of staff time required for design and approval. In umbrella designs, however, such research activities are made a component of the overall project. This allows the mission to move larger blocks of money through other components while at the same time providing funding for smaller research activities, which is important given the substantial research emphasis of these four projects.

Other advantages for the mission to organizing or packaging projects in this way are: a) the amount of formal documentation required to carry out development programs is reduced; b) the umbrella design provides flexibility necessary for the iterative design process of rolling and process projects and components; and c) the mission is better able to respond to opportunities for project development as they arise. Of course, this assumes the mission is capable of developing and managing the umbrella project and its various components with with much less involvement from AID/Washington. This implies that umbrella designs might not be appropriate for smaller or poorly staffed USAID missions.

Iterative Design and Implementation. As described earlier, the fundamental difference between standard AID projects and rolling and process projects is the treatment of design and implementation -- primarily sequential in the traditional mode, iterative in the rolling and process mode. USAID/Manila offers four principal justifications for the iterative approach which serve as the rationale for using rolling and process designs.

First, too little is known at the outset about the project environment to use a standard design approach. For example, in RRD, agricultural research has concentrated on lowland irrigated farming systems. Consequently, little is known about upland rainfed agriculture, and proven technologies for increasing productivity of small farmers and slowing environmental degradation in these areas do not yet exist. Agricultural colleges and other research institutions lack the expertise at present to conduct needed research in upland rainfed and coastal areas. Even the research questions are unclear; the PP for RRD describes the project as "...an experimental effort which will support the search for solutions to problems which, themselves, are subject to refinement or redefinition in the course of project/activities."

It is impossible, therefore, to determine precisely what the farming systems research of RRD will produce prior to implementation.

Second, the project environment is very unstable and subject to change. For example, SMED is trying to develop extension services to assist small and medium enterprises. However, conditions in the private sector are in constant flux and can change rapidly in unpredictable directions, which obviously affects the situation of small and medium scale enterprises. It is very likely, therefore, that the types of services needed by businesses will change during the course of the project. The project must be able to adjust quickly project inputs -- e.g., the type of technical assistance to trade associations, PVOs, etc.-- to respond to these changes. This will only be possible if the project design provides sufficient flexibility in implementation.

A third rationale for flexibility is that the project will test alternative schemes or technologies or will conduct studies

of various policy issues. However, it is not known in advance of project implementation exactly what proposals will be tried, or even which problems should have highest priority. The PP for RRD states:

> A wide range of policy issues will demand attention as the GRP expands and improves its programs directed at upland, rainfed and coastal areas. The following list suggests possible areas that might be addressed in the course of RRD; the list is not meant to imply either priority among the items listed or these are the only areas to be covered.

LRM and PHCF confront a similar situation -- not until initial experimentation and testing provide new information will it be possible to determine which approaches should be expanded, modified or abandoned.

Use of information gained from one round of applied research or experimentation with ministry operations to guide subsequent stages of the project is the fourth reason flexible designs are needed. As the PP for PHCF states:

> Community-financed PHC delivery programs are a relatively new area for both the GOP and USAID. The current local experience with health insurance schemes is extremely limited.... It is then highly desirable for the design of activities to proceed incrementally, enabling the design of other subsequent activities to benefit from the experience gained from earlier ones.

An important requirement for iterative design and implementation is continuity between design and implementation staff. This is particularly true for the initial stage of the project. For rolling or process projects to work, it is essential that the basic concepts of iterative design and implementation be fully understood by those involved with implementation. To ensure that this occurs, implementation staff should participate in the initial design stages. Particularly for the institution building components of process projects (RRD and LRM), the basic concepts of this approach will have to be reinforced throughout the life of the project.

Priority to Institution Building Objectives. LRM and RRD clearly give priority to institution building as the major objective of the project. The Project Data Sheet of RRD states the following as the project purpose:

> To assist the Government of the Philippines in developing institutional capacities and policy frameworks to support a community-based approach to land and water resource management in settled upland forest, rainfed agricultural areas and coastal zones.

The project paper for LRM describes the objectives of the first phase of the project as follows:

Phase I will emphasize systems development and institutional learning within existing local government structures. It will entail continual experimentation, incremental adjustment, and evaluation of new approaches and processes. To support implementation, the project will rely on local private and public resource institutions to provide a combination of services involving systems development, technical assistance, and training while increasing their own capacities to better serve the country's development needs.

In both projects, the primary outputs are not the agroforestry schemes,technologies or improved farming practices which are to be tested in RRD, nor are they the subprojects to assist the rural poor in LRM. Rather, the tangible outputs of the project are secondary to the systems, approaches, capacities and processes which the projects are to set in motion.

Decentralization of Government Functions and Devolvement of Authority. Decentralization in USAID/Manila's rolling/process projects takes on a much fuller meaning than the devolving of decision-making from central line ministries. In addition to the decentralization of planning and management of government services, decentralization in these projects also means greater participation by the private sector, local institutions and rural communities in the design and implementation of development projects. For example, provincial governments have assumed in recent years many functions which had been the responsibility of the national government. The major change LRM will support is re-orienting local governments' planning and implementation of development activities. The mechanism for funding these subprojects (e.g., after meeting criteria for adequate strategy development and subproject planning, the Treasury releases funds directly to the local government) constitutes an important process which enables local government to undertake development activities targetted on the poor. In short, the re-orientation process is reinforced by the enabling of local government to implement its plans.

Working Through Existing Institutions. An important design element of USAID/Manila's rolling and process projects is the plan to re-orient existing public and private institutions, rather than create additional divisions within these organizations. The primary focus of this re-orientation is to direct the programs and operations of these institutions to better meet the needs of the rural poor. The changes required to accomplish this depends on the type of service or function to be performed. For example, in LRM local governments are to learn to depend less on higher levels of government for instruction or guidance and instead develop their capacities to plan and implement projects. Under RRD, the Ministries of Agriculture and Natural Resources are to learn how to develop programs and services to reach small farmers in upland areas. Similarly, agriculture colleges will learn how to work closely with small farmers under actual field conditions and incorporate

farmers into their research efforts. Clearly, such major changes in behavior will not be easily accomplished. Re-training, staff changes, different reward systems and much learning from trial and error are anticipated. The major advantage of this approach is that if successful, recurrent costs will be minimized. This strategy also maximizes the use of local institutions and minimizes reliance on outside expertise.

Time Frame. The time frames for process projects are necessarily longer than those typical of projects using standard designs. In general, institutional development requires a long term commitment to achieve ultimate objectives. This will be particularly true for RRD and LRM. Not only are they institution building projects, but both will attempt to re-orient the policies, programs and operations of major institutions at various levels of government to better meet the needs of the rural poor. Precisely how this will be done is an open question and is the reason for maximum flexibility in the design and implementation of these projects. In short, it would be unrealistic to expect to accomplish such institutional changes within the normal five year project period. Rather, a decade or more of constant effort is probably closer to the mark.

Economic Analysis. USAID/Manila argues that standard benefit-cost analysis is inappropriate for assessing the economic feasibility of rolling and process design projects. It is impossible to calculate the economic benefits to be generated by a project when outputs cannot be estimated before implementation. Consequently, USAID/Manila has used alternative methods for analyzing the economic feasibility of the project: a) the cost-effectiveness of the overall approach, b) economic analysis of proposed activities, and c) alternative rates of return.

Assessment of the cost-effectiveness of the project concentrates on the pros and cons of using the rolling or process approach versus a more structured design. The mission has argued that the testing of alternative schemes, technologies, implementation strategies, etc. during the course of the project minimizes the risk of complete failure. Because so little is known about how to achieve project objectives, choosing, a specific scheme, technology or method before adequate testing increases the risk of making poor choices which lock the project into a bad investment. Alternatively, by experimenting with various options, the likelihood of finding a workable solution is increased. Similarly, the projects will have to experiment with implementing activities via various local institutions, PVOs, and other private sector organizations to find ones which work effectively. In short, because flexible designs are better able to capitalize on information gained during implementation, such designs contribute to the cost-effectiveness of the project.

Separate economic analyses will be conducted for the various schemes, pilot activities, etc. to be tested by the projects. Cost-effectiveness and economic viability for wider application (should the experiment or test prove successful)

will be required in proposals. The rigor of the economic analysis will vary according to the scale of the proposed activity.

A third type of economic analysis focuses on the likelihood of achieving a level of success which would produce an economic return sufficient to justify project expenditures. For example, given various cost savings resulting from improvement in the health service delivery system, alternative levels of success -- e.g., numbers of people affected by the improved system--are examined. The likelihood of achieving the level needed to justify investment in this activity then serves as the basis for the economic justification of the project.

Evaluation Plans. The evaluation plans for PHCF, SMED, RRD and LRM are considerably more detailed than in standard AID projects. In part, this is necessary because of their experimental nature. But more important, careful monitoring and evaluation are essential for the design of subsequent stages of rolling and process projects.

SMED and PHCF will rely on standard evaluation methodologies to assess the effects of project activities. Both projects plan baseline and follow-up surveys to obtain basic information about SMEs and the health care system. In addition to these standard types of evaluation, PHCF will also conduct process evaluations which assess the internal management of the project, but not the effects of project outputs:

> The focus will be on project implementation and linkages between inputs and outputs. While these process evaluations will be based on a clear understanding of desired goals and purposes, they will not concentrate on measuring or analyzing project impact on beneficiaries.

The idea of process evaluations is more fully developed in RRD and LRM. In RRD, two types of evaluation are proposed. First, "ongoing self-evaluation processes" will be conducted. As the name implies, these evaluations will be done by the GOP agencies implementing the project. In line with the objective of developing institutional capacities, the "self-evaluations" will address operational, procedural and management issues. For example, the assessments would examine how well the system is working or whether Bureau X is using information from the field effectively to improve operations. Evaluations of this sort are planned for each of the three components of RRD. In addition, "ongoing process documentation" will be produced, described as follows:

> This involves assigning a social scientist in the field to observe and record all key events and interactions so that working group members and others in the agency will have a "window" into the field realities. Such documentation is an invaluable tool for identifying needed improvements in pilot design and changes in the support, organizational, and management systems of the agency.

Second, RRD will conduct biennial external evaluations which will a) verify the effectiveness of the "ongoing self evaluation process"; b) assess re-design requirements; c) consider new components for the project; and d) provide information pertaining to continued funding of RRD. The specific questions the biennial external evaluations will address depend on the course of the project (e.g., where it has gotten by the time of the evaluation), but the PP indicates that these evaluations will also concentrate on the operational and managerial aspects of the project (e.g., are the systems developed by the project functioning adequately, are the organizations gaining new capacities to assist the poor, etc.).

LRM uses a similar approach. There will be a self-evaluation process based largely on "process documentation reports" concerning the implementation of each component of the project. For example, for the beneficiary participation component, "process documentation reports" will discuss

> .... the methods being used, the nature of relationships between various institutional actors, the barriers being encountered to building collaborative working relationships between private sector organizations and local governments, and the lessons being learned about how to overcome these barriers.

Special policy and management studies and "field process documentation" will augment the "process documentation reports."

LRM will also have external evaluations focusing on progress toward achieving institution building objectives, and whether project accomplishments can be replicated elsewhere.

There are several good points contained in these evaluation plans. First, they describe the types of information needed to assess the performance of the project, identify potential sources of data, and plan the methods to be used for data collection and analysis. Second, monitoring and evaluation are integral to project implementation -- e.g., the testing of alternative schemes or technologies in a variety of settings is an evaluation of project activities. Third, standard evaluation methodologies are not readily applicable to the process components of the projects. Rather than trying to force these methods on the project, alternative approaches more appropriate for tracking the implementation and progress of these components are to be used.

Use of PD&S Funds for Initial Implementation Activities. The mission made very effective use of PD&S funds to support project activities before actual implementation began (e.g., after project authorization but before the GOP meet the CPs of the project). For example, LRM provided approximately $5,000 to each province selected for the first phase of the project. These funds enabled local governments to begin collecting data

on problems affecting the poor. This work expedited project implementation. Planning a development strategy targetted on the poor is a major output of LRM; hence, use of PD&S to support initial data collection expedited project implementation. The mission justified the use of PD&S funds in this fashion on the basis that these activities are germane to project design (e.g., the province has to have a strategy to design subprojects). This suggests that rolling and process designs might simplify the use of PD&S for pre-implementation activities which, in turn, facilitates project start-up.

Project Implementation Issues. Project implementation issues concerning flexible designs in general include the following:

-- In comparison to standard AID projects, USAID/Manila's rolling and process projects required as much time to initially design, are slower to disburse funds, are more staff intensive for AID and the host country, are more adversely affected by staff turnover, and require greater administrative capability and support on the part of the host country. This suggests that highly flexible designs might be less suitable for countries with very limited management capabilities.

-- Many of the design features associated with flexible designs (e.g., increased host country participation in project design, increased use of local institutions, close monitoring of the implementation process) are equally important for standard AID projects.

-- The sharp distinction drawn between flexible designs and AID's standard projects are less pronounced when compared on the basis of actual implementation. Flexible designs acquire more structure than the original design suggests, and many standard AID projects are modified or re-designed one or more times, much like a rolling design, during implementation.

-- There are definite limits to how much flexibility is possible and desirable. Project implementation requires a certain amount of structure -- e.g., contracting and staffing, distribution of responsibility among implementing agencies, etc. Vagueness about matters which can or should be specified prior to implementation (e.g., commodity procurement procedures) can be detrimental to the project.

Project implementation issues specific to USAID/Manila's core projects are as follows:

-- The core projects have had only limited success at maintaining staff continuity between design and implementation phases. Staff turnover has been problematic at the national level of implementing agencies, but less troublesome at the provincial level. Lack of

continuity poses a potentially serious problem for rolling and process projects largely because their underlying concepts are unfamiliar and need reinforcement throughout the course of the project.

-- Project staff reported that the GOP participated in the initial design of the core projects to a greater extent than is typical of standard projects. However, this has not led to a mutual understanding between the mission and the GOP implementing agencies on important design concepts.

-- More so than in standard AID projects, maintaining accurate project files will be particularly important to record various decisions made on an ad hoc basis during the course of the project.

-- The high risk associated with making tangible project outputs dependent on achieving institutional improvements could be reduced by placing equal importance on accomplishing both short term and long term objectives.

-- The flexible designs used in these projects have not lessened project complexity. In fact, the process approach might actually lead to greater complexity in institutional arrangements necessary for implementation.

-- The economic problems of the Philippines might adversely affect the core projects to a greater extent than standard AID projects because they are less specific about project outputs and are more staff intensive.

-- The evaluation of the process components of these projects need to assess a) improvements in institutional performance resulting from project outputs, and b) the effects of improved institutional performance on ultimate beneficiaries of the project.

2.2.4 The Initial Design Process

The effort made to maintain continuity between design and implementation staff in RRD and LRM has met with mixed results. A major problem has been staff turnover in the implementing agencies at the national level. LRM has been more successful in establishing staff continuity at the regional and provincial levels. Nonetheless, this poses a potentially serious problem because it could undermine the basic premise that participation in design by project staff contributes to project effectiveness. This is particularly important in light of the unfamiliar concepts underlying the process approach.

Project staff for RRD and LRM reported that the GOP participated in the initial design of the projects to a much greater

extent than is typical of AID projects. GOP counterparts showed considerable interest in playing a larger role in the design process. However, it is not clear that the GOP's understanding of the project matches the mission's, despite the importance of establishing such a consensus for project implementation. The following exemplify differing interpretations of the design concepts:

-- The projects are supposed to work through existing agencies and institutions without creating new management or implementation units. However, the tendency of bureaucracies to add staff and create new divisions to manage projects has thwarted mission efforts in this area. Though mission staff have tried to hold the line, the GOP has added more staff than was initially envisioned.

-- Due to political pressures, the criteria for selecting provinces to participate in LRM were circumvented with the addition of four more provinces to the first-round set of three. Only two of these additions seem to have been inappropriate choices; however, more objective standards are supposed to govern selection.

-- The performance disbursement mechanism is key to LRM's success. Despite an apparent understanding at the outset about the importance of a direct disbursement from the Treasury to the provincial governments, OBM and GOP auditors have apparently resisted complying with this arrangement, arguing that it is illegal. This problem questions the basic assumption of process designs that flexibility in bureaucratic procedures necessary for the project is possible.

One final point concerning the initial design of these projects is that if USAID/Manila's experience is indicative of rolling or process projects, then the use of these designs does not reduce the amount of time required for project development. Twenty to twenty-four months were required to reach the project approval stage -- roughly equivalent to what AID typically invests in conventional projects. Nor is the design process less staff intensive. Moreover, the GOP might have the staff resources for greater involvement in project design, but other countries do not. This suggests that rolling or process designs are less suitable for countries which lack the necessary human resources.

The Uniqueness of Rolling and Process Design Concepts. The project papers for USAID/Manila's core projects argue that highly flexible designs are necessary to incorporate a number of elements which are expected to produce better development results. These include:

-- Greater participation by the host country in project design

-- Decentralization of development planning and service delivery

-- Greater participation by beneficiary groups in the design and implementation of development projects

-- Greater communication between government implementing agencies and project beneficiaries

-- Increased use of local institutions for project implementation

-- Continual monitoring and assessment of the implementation process in addition to standard evaluations

-- Minimization of recurrent costs generated by the project by working through existing government agencies and local institutions

These and other ideas associated with flexible designs are hardly new. For many years now, development practitioners have recognized these general precepts as a means for improving project performance. In general, design flexibility will facilitate incorporating these features into a project. But these precepts are not unique to flexible designs, nor are they inapplicable to more structured projects. That is, AID's standard design approach does not necessarily preclude building these features into a project.

A second questionable argument made in connection with these projects is that because applied research and trial and error learning are needed, standard AID design procedures are unsuitable. To clarify the question, testing alternative solutions through applied research -- e.g., financing schemes or agroforestry technologies -- should be distinguished from experimenting on a trial and error basis with alternatives for re-orienting the operations of institutions to improve their performance.

For applied research, all the tests and modifications to be made typically cannot be predetermined. But the mechanism or means for selecting and testing alternatives can be specified prior to implementation. That is precisely what was done for the research components of RRD and PHCF. Moreover, there is nothing unorthodox about AID funding of needed research to identify workable solutions or technologies for subsequent use in projects.

A different type of experimentation is involved with the social engineering implicit in the learning process approach to institution building. Uncertainty about what will be done and, more important, how it will be done is much greater than in testing alternative schemes or methods. The course of action such trial and error learning entails is largely making a best guess based on whatever information is at hand and monitoring the results closely with the hope that, in time, workable

approaches to accomplishing project objectives will emerge. Without a framework for selecting among options and without the theoretical underpinnings which guide applied research, process projects run a higher risk of attempting one dead-end approach after another.

But even experimenting on a trial and error basis is not completely foreign to the way in which many conventionally designed AID projects are actually implemented. The differences between rolling and process designs on the one hand, and AID's more conventional design approaches, on the other, begin to blur when the focus shifts to implementation. Many of AID's more structured projects twist and turn their way through implementation in a fashion which, in retrospect, appears to be much like a rolling implementation plan. Perhaps greater flexibility built into the original design facilitates making changes in the project, but even then, there is no assurance that needed changes will be made. In short, the implementations of many of AID's projects share a remarkable similarity regardless of the original design. The difference that really exists in practice between projects using a rolling implementation plan as opposed to standard design projects which are modified during implementation is probably much smaller than proponents of the rolling approach claim.

Management Requirements. The mission anticipated that its core projects would be substantially more staff intensive than conventional projects. In part, the high management demands of the projects were intentional, the purpose being to force greater interaction between key actors and to develop greater continuity in project implementation over time. The increased staff costs were considered justifiable in light of the better development results which would result.

Because of the lack of knowledge about how to accomplish certain project objectives, the project papers for SMED, RRD and LRM provide scant guidance for even the initial implementation of the projects. As a result, project implementation requires substantially more negotiation between USAID and GOP staff. It appears that demands on staff time will grow as the projects gain momentum. For example, LRM will have four DHFN and two USDH staff devoting a significant part of their time to the project. Current project funding for Phase I is $6 million. Assuming Phase I runs for three years before Phase II starts, project expenditures could average $2 million per year. This suggests that for rolling or process projects, the ratio of staff time to dollar expenditure is unfavorable and probably impractical for smaller staffed USAID missions.

SMED has also encountered similar high costs in staff time. The former project manager of SMED reported that during his assignment in USAID/Manila, he had spread his time over three projects. It was clear to him that after the first year of SMED, he would not be able to work on anything else. Perhaps it would have been possible to contract out certain management responsibilities for SMED that the project manager was handling.

But that means additional staff costs. Moreover, there are a number of activities which cannot be performed by contractors. For example, this person pointed out that there was almost constant negotiation of even minor activities which was very time consuming. Many of these decisions concerning implementation are simply not recorded. Therefore, with the inevitable turnover of USAID, GOP and contractor staff, it will be difficult if not impossible to know what was decided in the past.

Rate of Disbursements and Implementation. USAID/Manila's experience with its rolling/process projects indicates that disbursements are slower and smaller in the initial years of the project in comparison to standard AID projects. This is intentional and intrinsic to the design, particularly for process projects where the overall idea is to begin small and expand only after the institutional learning occurs.

The mission's experience also seems to indicate that rolling or process projects are not easier or faster to start up; in fact, they might be more difficult to initiate because their concepts and objectives are unfamiliar to the host country or conflict with established ways of operating. Implementation of RRD and LRM indicates that considerable time is spent simply in organizing committees and establishing lines of authority and communication before much of anything can happen. Moreover, project outputs -- particularly institution building objectives -- will also be slower in emerging and probably harder to associate with project effects when and if they do materialize.

On the one hand, it could be argued that this is part of the price to be paid if AID undertakes the type of development problems these projects confront. For example, slower disbursement bursement will be inevitable; therefore, rolling and process projects should not be judged on the basis of standard management criteria. But it is certainly legitimate to question whether AID can afford projects which are so staff intensive, and appear to be slow moving and slow to produce tangible results.

Short Term Tangible Outputs versus Long Term Institutional Objectives. The mission's process projects give priority to institutional development objectives over tangible project outputs (e.g., physical or more tangible outputs such as the subprojects of LRM, or methods of slowing environmental degradation). The tangible outputs serve as the basis for the institutional learning -- e.g., from the process which produces these outputs, institutional learning results. The improved operations of the government agencies, private sector organizations and local institutions involved with the projects are, in turn, expected to produce more effective and sustainable outputs sometime in the future.

This is clearly a high risk strategy. The institutional development these projects are attempting will be the most difficult objectives to achieve and the most likely to fail.

AID's success at achieving institutional objectives is at best mixed. The process approach being used by LRM and RRD is still highly experimental (and highly controversial). Moreover, the institutional objectives are long term goals and are expected to take seven to ten years to become fully established. If this attempt fails or meets with only limited success, the more tangible outputs of the projects will very likely suffer as a consequence. Proponents of the approach claim that institution building must take precedence over other project outputs to achieve long term solutions to development problems. Others counter by charging it is impractical and a poor investment of development resources to concentrate on such difficult, high risk objectives at the expense of meeting more immediate and equally important development needs.

An alternative approach which reduces the risk of achieving only marginal success would be to make the tangible outputs of the projects of equivalent importance to institutional objectives. The projects would continue to experiment with establishing the types of institutional arrangements that are needed, but tangible objectives would receive equal attention. For example, getting usable technologies into the hands of small farmers would not be contingent on first accomplishing the long term institutional objectives of coordinating various GOP ministries to work together on upland agricultural problems. The rationale for this approach is that project beneficiaries (e.g., the rural poor) will maintain higher interest in the project if they receive tangible results in the short term. Furthermore, the ability to produce tangible outputs is itself a key element in successful institution building. The danger, however, is to let the balance shift disproportionately to the tangible outputs of the project at the expense of equally important institutional objectives.

Project Complexity. Based on USAID/Manila's core projects, it appears that the process approach to institution building does not reduce project complexity. To the contrary, institutional arrangements are complex in part because of the process approach to institution building; for example:

> The more significant institutional changes sought usually will involve several offices of a given organization, or even a number of different organizations. Dealing with this reality commonly requires attention to development of networking processes by which coalitions are formed of individuals representing a number of offices and agencies who work together to achieve a common change objective.

Rolling and process designs certainly have no monopoly on project complexity. AID's projects are frequently criticized for being overly complex and premised on unrealistic assumptions or expectations. With the exception of PHCF, similar criticisms could be made of the mission's core projects. RRD is attempting to establish very complicated institutional arrangements which will require cooperation between competing

ministries. Complexity in LRM stems from the number of levels of government, private sector organizations and poverty groups which are to somehow work together. Similarly, SMED will try to improve the linkages between government policy and the needs of small and medium enterprises by working through intermediary agencies (e.g., trade associations, PVOs). In short, it appears that rolling and process projects can be as complex and unrealistically optimistic in their underlying assumptions as standard AID projects.

Limits to Project Flexibility. USAID/Manila's core projects raise an important question concerning how much flexibility in project design is optimal and how much is possible. Structure is imposed on the project by setting up the mechanisms for implementation. This is especially true for the host country. Once a project is initiated, a full-time staff is in place; budgets are set; consultants are hired; authority for procurement, financial accounting and project management is assigned; and a host of expectations at all levels about what the project will do and who will benefit are created. Once established, these basic patterns become firmly entrenched because people now have vested interests in the system as it exists. Making significant changes in the basic operation of the project will, therefore, require overcoming the inertia and resistance to change in the system. Second, as LRM and RRD have found, the host country, particularly with regard to financial matters, tends to be less flexible about management and administrative procedures than the project designers had envisioned. In short, once implementation begins, room for maneuver is reduced, in some instances substantially, regardless of the original design of the project.

USAID/Manila's experience with these projects also indicates that too much flexibility can lead to unnecessary vagueness about matters which should not be treated in an open-ended fashion. There seems to be an underlying notion in the design of the process components of these projects that specificity is to be avoided as though it were intrinsically pernicious. For example, RRD did not establish basic systems for procurement before the project agreement was signed. Because more than one ministry is involved with procurement in RRD, multiple contracting and procurement systems, as opposed to one uniform set of procedures, have resulted. By postponing decisions about procurement until implementation has begun, the process has become more complicated than if these procedures had been established during initial project design. In short, like any other project, rolling and process projects should begin implementation with fixed procurement procedures acceptable to AID and the host country.

Lack of specificity in the project papers also complicated other aspects of implementation. SMED's first year of implementation proceeded more smoothly than RRD and LRM in part because a budget and basic ground were agreed upon in advance of implementation. Second, the tasks and responsibilities of

consultants are made more difficult when the course of the project is unclear. In short, this indicates that too much flexibility or lack of specificity can be as detrimental to a project as too much structure.

These problems must be viewed in the proper context -- e.g., AID's general experience indicates that the first year or so of any project is problematic. It is unreasonable to expect rolling or process projects to be an exception. A fair interpretation of the problems the projects have encountered is that they reflect the standard difficulty of starting up any AID project. But it is also fair to conclude that these projects have not been easier to implement nor less problematic than standard design projects. A useful lesson to be learned from the design of USAID/Manila's core projects is that unnecessary vagueness can be a detriment to the project, especially for matters where specificity is possible.

Economic Conditions. The economic and political situation in the Philippines affects project implementation regardless of design. However, some mission staff observed that the rolling/ process projects are more likely to be adversely affected by these conditions because: a) these projects are more labor intensive, but produce fewer tangible outputs in the short-term; and b) projects which are vague about their long term results are more susceptible to budget cutbacks during periods of economic austerity. In short, rolling or process designs could be a disadvantage until economic conditions improve.

Evaluation Plans. As noted previously, the four core projects will give increased attention to constant monitoring and assessment of project implementation. PHCF and SMED will augment this with an evaluation of project effects using baseline and follow-up data. For PHCF, relative improvements in the health delivery system due to operational changes will be evaluated. For SMED, changes in the conditions of SMEs will be evaluated. Comparable evaluation is needed for RRD and LRM. Because the process approach is experimental, a concerted effort should be made to evaluate management demands of the approach as well as project effects on beneficiaries of these projects.

The effects of achieving the institutional objectives of RRD and LRM will be difficult to evaluate. The mission has given considerable thought to the assessments of progress toward achieving new institutional arrangements, systems, capacities, etc. which will be established over the course of the project. The external biennial evaluations will also focus on the same types of administrative and operational questions as the progress assessments, in effect checking whether the monitoring has been effective and whether the decisions made on the basis of that information were sound. But no plans have been made for evaluating the effects of institutional development the ultimate beneficiaries of the project -- e.g., upland farmers in RRD and the rural poor in LRM.

In comparison to more conventional projects, the effects of process projects are more elusive and, therefore, harder to evaluate. They are elusive in the sense that the direct effects of the project will be difficult to verify empirically. For example, PHCF can estimate the efficiency and effectiveness of the health care delivery system before and after project interventions. For RRD and LRM, it is harder to demonstrate their direct effects because key outputs of the projects (e.g., institutional re-orientation) are precedent to the objective of improving the socioeconomic conditions of the rural poor. Moreover, if such impacts do occur after the completion of the project, it will be largely a matter of faith that they are the result of institution changes given the evaluation plans of these projects as they currently stand.

Two general areas of evaluation must be addressed by RRD, LRM and any other process project generally. First, the effects of the project on the institutions whose capacities are being strengthened, re-oriented, etc. deserve careful assessment. This would include the cost-effectiveness of new systems, whether staff are used more effectively vis-a-vis their capabilities the sustainability of institutional changes supported during the project, and other operational performance measures relevant to the specific objectives of the project.
Second, the effects of the project on ultimate beneficiaries -- e.g., the rural poor -- have to be examined to determine whether they have indeed benefitted from the outputs of institutional learning and re-orientation -- e.g., acceptance of appropriate technologies, better services from new programs, etc. The objection might be raised that this would require additional data collection and analysis. That is correct, and this is precisely where AID should concentrate its evaluation efforts -- on experimental projects like these and not on activities where there is a fairly well understood or mechanistic relationship between outputs and effects.

2.2.5 Conclusion

This review of USAID/Manila's use of flexible design concepts surfaces many important issues -- both pro and con -- about the utility and feasibility of this approach. However, more information is needed to answer the key questions concerning the effectiveness of rolling and process designs. First, flexible designs and, in particular, process designs are supposed to provide a more effective means for accomplishing institutional objectives than standard technical assistance projects. Careful assessment of actual improvements in the performance of the institution is needed to verify this claim.
Second, the outputs of flexibly designed projects are supposed to ultimately benefit the rural poor better than standard AID projects. The expectation that flexible designs produce better development results should not merely be assumed; rather, it should be demonstrated by evaluation of these projects.

The kind of information needed is not more of what currently exists -- e.g., negative evidence against standard designs supporting claims that flexible designs are, ipso facto, superior; or isolated success stories which seem to ignore the disadvantages or costs of flexible designs. A systematic study of AID projects which have tried to use flexible designs should be conducted as current projects using flexible designs progress. Data for such a study must come from thorough and accurate evaluations. The study should use as many cases as can be documented and examine the general patterns of project performance as they relate to design features. In short, the strengths, weaknesses and the costeffectiveness of flexible designs need to be fully assessed. The information provided by the study should enable AID planners and project managers to understand more fully what their design options are and make better decisions about fundamental aspects of their projects.

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(7)Francis Korten, Building National Capacity to Develop Water Users' Associations: Experience From the Philippines, World Bank Staff Working Paper Number 528 (Washington, D.C., 1982).

(8)David Korten, "Learning from USAID Experience: Institutional Development and the Dynamics of the Project Process," unpublished manuscript (Manila, Philippines: 1983).

APPENDIX A

PROJECT DESCRIPTION

1. PRIMARY HEALTH CARE FINANCING (PHCF)

USAID/Manila's program supports the GOP's objective of providing basic health care to all Filipinos by the Year 2000. PHCF will contribute to the reduction of the high fertility and high infant and early childhood mortality. The basic logic of PHCF in regard to assisting the rural poor is that by lowering population growth rates, the increasing pressure being placed on limited natural resources (and, consequently, the degradation of those resource bases) will be slowed.

PHCF has three main components: 1) test community-based and locally managed health care financing schemes, 2) improve the Ministry of Health's service delivery at the barangay level, and 3) support special studies and policy analysis needed to improve MOH operations.

A major objective of PHCF is to improve access to and use of health care services which are managed and at least partially

funded by the local community. The costs of providing primary health care to meet the need and demand for health services is simply too great to be borne entirely by the central government. PHCF will, therefore, support the testing of alternative schemes to identify effective health care delivery systems which are managed and funded by local communities and the private sector. Schemes proposed by PVO's and other local organizations (e.g., agricultural cooperatives) will be selected according to the following criteria: they should be sustainable, provide a package of preventive and curative services, be within the management capabilities of the group providing the services, and be affordable to the community. Data generated by testing alternative schemes in a different community settings will assist the MOH improve service delivery and show how and where equitable cost-sharing arrangements can be established.

PHCF will also support a variety of special studies intended to improve the operation and management of public and private health delivery systems. These studies will include: a) comparative analyses of the operating costs of public and private providers of health care; b) the operational problems affecting small pharmacies (boticas); c) an assessment of the Barangay Health Worker and Midwife programs; d) the feasibility of expanding herbal drug factories and completing construction of a vaccine laboratory; e) an assessment of the referral systems and logistical services which support MOH primary health care programs; and f) a series of cost-effectiveness studies of the health delivery system.

The third component of PHCF will strengthen the MOH's nationwide program of health care service delivery. As the results from the special studies become available, improvements will be made accordingly in MOH operations. PHCF anticipates the need for improvement in the following areas: a) the training and management of Barangay Health Workers and MOH midwives; b) the operation (e.g., stocks, services and management) of boticas to improve their role as reliable commercial outlets in the health care system; c) stocking health worker kits; and d) the MOH's information, education and communication program.

AID has obligated $12 million for PHCF; estimated distribution of funds for the three components are $3 million for testing financing schemes (25 percent of AID project funding), $1.15 million for special studies (9.5 percent), and $7.5 million for service delivery improvement (62.5 percent). Though the bulk of AID's and the GOP's contribution will go to the improvement of service delivery (roughly 77 percent of total project funds), the first two components -- testing alternative financing schemes and special studies -- will be the more complex elements of the project to implement. However, PHCF will benefit from the administrative and research capacities of health related institutions in the Philippines. In particular, the review of proposals and the administration of research funds (which will be a substantial task in PHCF) will be handled by the Philippine Council for Health, Research and Development (PCHRD) which was created specifically to manage research

and development in the health sector and to disseminate research findings.

2. SMALL AND MEDIUM ENTERPRISE DEVELOPMENT (SMED)

The objective of SMED is to encourage the growth of small and medium size enterprises in non-metropolitan areas, thereby contributing to employment generation in rural areas. A major constraint to the growth of SMEs is a lack of information about economic conditions, affordable technologies which increase productivity, and sound management practices. Policies revisions attuned to the needs of SMEs to further encourage their growth are also needed. SMED will support improvements in these areas as follows: 1) develop the capacities of public and private sector organizations to provide extension services which better meet the needs of SMEs and to represent SMEs in policy discussions with the GOP; 2) assist the Ministry of Trade and Industry (MTI) to develop programs and policies attuned to the needs of SMEs and the factors affecting SME growth; and 3) develop the capacity of local PVOs to assist micro industries via credit, marketing and training programs.

Technical assistance will be provided to the Philippine Chamber of Commerce and Industry (PCCI) and PCCI's Committee on Cottage Small and Medium Enterprise; trade, industry and service associations working with SMEs; the Ministry of Trade and Industry (MTI); and MTI's Regional Offices. In general, this assistance will concentrate on developing extension services to SMEs provided by private sector associations and PVO's. SMED will also support demonstrations of equipment and other technologies which could increase the productivity SME's. Other services will include information on market conditions; improved management practices; new technologies; credit; trade fairs; and marketing assistance. Training seminars and workshops will be conducted to disseminate this information.

An important output of SMED will be developing better linkages between GOP policies and the conditions affecting SMEs. PCCI and the trade and industry associations working with SMEs will develop their role as spokesmen for SMEs. Seminars and workshops will be held to bring together public and private sector representatives to discuss with officials of the Ministry of Trade and Industry (MTI) problems affecting SMEs and identify how government can support and encourage SME growth. A variety of studies will be conducted investigating the impact current policies have on SMEs, such as the effects of licensing and bank lending regulations on SME operations. Data will also be collected on the current condition of SMEs. Training needed for policy analysis will be provided to MTI's staff. MTI will also receive assistance to improve its support of private sector associations which provide extension services to SMEs.

The third component of SMED will concentrate on expanding

the capacities of PVO's working with micro enterprises. With the assistance of MTI's Micro Enterprise Development Program and the general contractor for SMED, the services and programs of PVO's will be developed in the areas of credit, marketing and management training programs to assist the owners/operators of micro enterprises located outside of metro Manila. The research activities funded through SMED will also address operational and policy issues affecting micro enterprises.

3. RAINFED RESOURCE DEVELOPMENT (RRD)

RRD is a key component in the strategy to assist the rural poor via increased opportunities for employment and increased productivity. RRD is designed to develop a) effective technologies acceptable to small farmers and other agriculturalists in upland, rainfed and coastal areas which increase their productivity while slowing environmental degradation; and b) the institutional capacities at the national, regional and local level which will produce more sustainable, long term solutions to agricultural and environmental problems in these areas affecting the rural poor.

A important component of RRD is the development of resource monitoring systems for the MOA and MNR. Data on the current condition and productivity of renewable natural resources and the present and future demand on resource bases are needed. Analysis of these data will be used to assess environmental problems and develop more responsive national policies. Possible issues for policy studies include: a) access and use of land and water resources; b) land use patterns; c) infrastructure requirements for upland and coastal development; d) pricing of agricultural and forestry products, labor requirements and input costs; and e) financing schemes to support improvement and management of upland watersheds. A marine fish stock assessment is also planned.

Biotechnical research will also be supported by RRD which focuses on upland agroforestry, rainfed agriculture and marine fisheries management. In addition to providing pertinent information on potential ways to improve resource management, funding of the studies combined with strengthening grants (for training, equipment, etc.) will enable local agricultural colleges and other institutions to develop their capacities to conduct research in these areas.

The largest component of RRD (approximately 54 percent of project funding) is the development of community-based approaches to natural resource management. In response to the apparently limited success of centrally planned and centrally managed resource management problems, RRD will try an alternative approach. Community-based programs which have been developed with the participation of small farmers and others whose livelihoods depend on improved management of the resource base will be supported by RRD.

Pilot or experimental activities in agroforestry and rainfed farming systems will be undertaken to develop technologies and methods for slowing environmental degradation and increasing productivity. Field trials will be supported by MNR and MOA, but local agricultural colleges, PVOs and local government agencies will be used to carry out these activities. An important step toward accomplishing this part of RRd will be re-orienting MNR and MOA to community-based approaches to resource management and improvement of rainfed farming practices. This re-orientation is to be accomplished without creating new units within the ministries. Rather, staff retraining, personnel changes and decentralization of ministry operations, including research and extension, will be necessary.

A major objective of RRD is to increase the GOP's awareness about the severity of resource management problems in upland areas. Greater coordination among various GOP ministries and agencies will be encouraged through the research activities supported by RRD. For example, the procedures for selecting research proposals requires increased cooperation and interaction among key GOP institutions: MOA, MNR, PCARRD, NEDA, and OBM. In short, such coordination at the national level and the establishment of more effective institutional arrangements within and among government agencies is considered necessary for developing long term solutions to land and water resource management problems in upland areas.

4. LOCAL RESOURCE MANAGEMENT (LRM)

LRM is a public administration project to assist the GOP with its on-going efforts to decentralize government functions. LRM has been designed as a multi-phase, long-term project to build local government capacities at the provincial and municiple levels for planning and implementation of development activities targetted on indigenous poverty groups. What distinguishes LRM from preceding decentralization efforts is its emphasis on encouraging the involvement of local government, the private sector and poverty groups in the development process. In this regard, LRM is very much a self-help project in that it attempts to re-orient local governments to identifying existing resources -- both financial and human -- in the community and mobilize those resources to accomplish development objectives. This contrasts with a centralized approach where local government is merely the conduit for national or regional programs to provide basic services and facilities. In short, LRM will support the efforts of local government to learn how to use available resources to support the self-help activities of communities and poverty groups.

The main component of LRM (85 percent of total project funds) is strengthening provincial government capacities to formulate development strategies to targetted on the rural

poor. Provincial governments participating in LRM will initiate a research program to understand more clearly the causes of poverty in the province and the specific problems affecting the poor. In some provinces, the Provincial Development Staff will be able to conduct necessary studies. In other provinces, the provincial staff will need assistance from the Regional Development Council, the regional offices of NEDA (the National Economic Development Agency which is the lead agency in LRM) or local research institutions.

The provincial development strategies will be used to identify appropriate subprojects, such as small road improvements, bridge construction and cattle disbursement. It is anticipated that later subprojects will concentrate on income generation as provincial governments gain experience with project planning and implementation. An effort will be made to involve the private sector in the planning and implementation of subprojects (e.g., contracting with local firms to carry out the subprojects).

To increase the amount of revenue available to provincial and municipal governments to fund development activities, LRM will improve local governments' financial administration. LRM will assist provincial and municipal governments develop better financial accounting systems and maximize revenue generation from existing sources. For example, better forecasting of revenues, improved collection procedures and expanded systems of real property tax will contribute to greater mobilization of financial resources by government for local development activities.

A third component of LRM will support pilot efforts of local PVO's to organize poverty groups for greater participation in the planning of development activities. A basic tenet of LRM is that decentralization of project planning and implementation must encourage participation by beneficiary groups if it is to be effective. However, little is known about how to organize poverty groups so that they can take a more active role in the process. This component will support the testing of approaches to build effective linkages between government and the poor. For example, a PVO which is known and trusted by the community might be better able to help people identify and agree on what their common needs are and what development activities they would support. Input of this sort from beneficiary groups could then be incorporated into provincial strategies.

Central to LRM's decentralization and institution building objectives is USAID funding via a performance reimbursement arrangement. Since the objective of LRM is to develop the capacities of local government to formulate strategies and to mobilize available resources for development activities, AID's funding is tied to satisfactory performance of the planning cycle and not to the "bricks and mortar" output of the subprojects. Provincial governments submit their development strategies and project plans to the Regional Development Council (which is responsible for coordinating field services provided by line agencies). With RDC approval of planning documents and

proposed budget (approval being contingent on meeting adequate planning criteria established by LRM), funds are released by the Treasury directly to the provincial government. It is the responsibility of the provincial governments to use the fundings according to GOP accounting standards. When the transfer is made, AID then reimburses the GOP for 70 percent of total amount released to the provincial government. In the first year a province participates in LRM, AID is only concerned with the planning process and the release of funds from the Treasury to the local governments; it is not "buying" the physical outputs which result from the use of the funds. After the first year, successful implementation of subprojects and evidence that they benefit the poor people becomes an additional criterion for AID reimbursement.